

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held November 5, 2012

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 5:17 p.m. by Chairman William B. Hawk on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Hawk were: William C. Seeds, Sr., William L. Hornung, Gary A. Crissman, and David B. Blain.

Also in attendance was George Wolfe, Township Manager; Tim Houck, Finance Director; Sam Robbins, Public Works Director; Brian Luetchford, Parks and Recreation Director; David Johnson, Public Safety Director; Chief William Payne, Linglestown Fire Company; Chief Tom Swank; Colonial Park Fire Company; and Watson Fisher and Ted Robertson, SWAN.

Pledge of Allegiance

Mr. Hornung led in the recitation of the Pledge of Allegiance.

Public Comment

No public comment was presented.

Review of Financial Advisor post interview responses

Mr. Hawk noted that the Board members have the additional responses that were requested from the financial advisors as a result of the initial interviews that were conducted. He noted that essentially, both of them said the same thing. He noted that Mr. Williard conducted a lot of research to provide his answers.

Mr. Wolfe noted that the conclusion drawn by both parties at this point in time is that the Township is not in a position to seek a bond increase rating. Mr. Crissman noted that it is too recent since the last bond review. He explained that he is glad that they did the analysis. Mr. Wolfe noted that Mr. Williard from Public Financial Management (PFM) did a ton of research

and put together a nice package. He explained that he requested audits and actuarial evaluations, and General Accounting Standard Board reports on post retirement medical benefits. He noted that he made sure he knew what he was doing, but the end result is that they both came to the same conclusion.

Mr. Hawk noted that this is not the time to move forward. Mr. Wolfe noted that the Board is acting at the later business meeting to approve bond counsel and staff could start this month or early into next year to put together the refunding package of \$10 million of the 2006 issue. He noted that the Township will need the financial advisor to do that as it is the next step in the process, as he needs Board direction to move forward.

Mr. Hawk questioned if Mr. Seeds would be attending the meeting. Mr. Wolfe noted that he did not hear from him, although he spoke with staff earlier today. Mr. Hawk suggested that it would be appropriate for all five Board members to make the decision. Mr. Crissman noted that the Board needs to get this done as soon as possible and he noted that he would not be in attendance at next week's meeting. Mr. Hawk noted that he won't be in attendance at that meeting as well. Mr. Wolfe stated that he hopes that the decision is not put off until the end of the month. Mr. Hornung noted that we can make it tonight. Mr. Wolfe noted that he is looking for direction in order to get the paperwork in place for the next business meeting. Mr. Hawk suggested that we table this item and come back to it later in the meeting when Mr. Seeds is present to take action.

Review of 3rd Quarter Key Indicator Report

Mr. Wolfe noted on page five of the Key Indicator Report (KIR), the General Fund (GF) for the end of September had revenues of \$14,150,744 and expenditures of \$13,337,074 producing a net gain of \$703,672. He noted that it was primarily due to real estate tax receipts as the Board implemented a real estate tax increase for 2012. He noted that Ms. Bair is turning the receipts around much faster as a result of software provided by Dauphin County. He noted that the Earned Income Tax (EIT) collections are 9% higher than they were in previous years.

Mr. Wolfe noted that expenditures were lower for the third quarter and page six shows that revenues overall were 4% higher in the third quarter from this time in 2011. He noted page eight shows that expenditures are 2% lower than the third quarter of 2011. He noted that staff is

continuing to pinch pennies and at the same time revenues, primarily due to tax increases and stabilization of the local economy, have increased enough to produce a positive gap for the first time in three to four years.

Mr. Wolfe noted that there are no significant highlights in revenues or expenditures. He noted that the Township sold the cell tower at Public Works Department and refunded bonds as these things have positively impacted the financial statement. He noted for expenditures, all the items noted other than the Tax Anticipation loan, are small items.

Mr. Wolfe noted at the beginning of 2012, the GF balance was \$4,769,568 and staff may improve upon that a little in 2012. He noted that State Aid will be detailed as part of Mr. Robbins discussion, with revenues of \$1,062,123 and expenditures of \$723,419 with a balance of \$462,685. He noted that he expects to have a fund balance at the end of the year that will be used in 2013.

Mr. Wolfe noted that the Fire Equipment Capital Fund has a balance of \$787,153 with the Length Of Service Awards Program (LOSAP) fund's balance being \$301,069. He noted in 2013, the Township will begin to make payments to LOSAP members who qualify under the plan, and when the discussion is held later during the meeting with the volunteer fire fighters, the actuarial evaluation details that the Township will need to fund an additional \$15,000 to the yearly contributions. He noted to keep the LOSAP fund stable; the Township will need to go increase the current contribution of \$60,000 to \$75,000. Mr. Seeds questioned when that would start. Mr. Wolfe noted in January 2013. Mr. Crissman questioned if the fire fighters know this. Mr. Wolfe answered that they do not know that; however, they do know is that there is a new State law for Fire Fighters' Cancer Presumption Act for volunteers that mandates for Workers Compensation purpose, that any volunteer fire fighter who develops cancer in the course of his lifetime is presumed to have had that cancer caused by fire fighting activity. He noted that it is up to the Township to prove that the cancer was not caused by fire fighting activity. He noted that the cost for worker's compensation coverage for volunteer fire fighters will increase by \$36,000 in 2013. He noted if you add the \$36,000 and the \$15,000, it amounts to \$51,000 in increases for next year's budget without providing the fire companies any additional funds. He noted that the fire fighters are aware of the worker's compensation increase.

Mr. Wolfe noted for the General Improvement Fund (GIF), expenditures were at \$848,257 for project specific activities primarily for storm water as well as other activities identified on page 18. He noted that the other large item in this fund is the payment for the Village of Linglestown project, owing PENNDOT for construction, with the final bill being mailed to the Township as we speak. He noted that he will discuss the amount owed later in the meeting.

Mr. Seeds questioned how much was spent on stormwater this year. Mr. Wolfe answered that the Township has spent \$625,593. Mr. Seeds questioned how much is projected to be spent yet this year. Mr. Wolfe answered that we are close to the end of spending for the year, awaiting the final invoices on the stormwater contract. Mr. Robbins noted that we have to complete the Molly Drive work which will cost roughly \$150,000. Mr. Seeds questioned if that change order is on the meeting agenda for tonight. Mr. Robbins answered that was correct. Mr. Seeds noted that the contract will be over \$1million once the change order is approved. Mr. Robbins suggested that it would be between \$1.1 and \$1.2 million. Mr. Seeds questioned where the money is coming from. Mr. Wolfe answered that part of it is the bond issue and the Pennsylvania Infrastructure Bank (PIB) loan. Mr. Seeds noted that it would put the budget well over \$600,000 for the year. Mr. Wolfe explained that the Township will use up the bond funds and PIB loan by the end of 2013. Mr. Seeds questioned if he is using \$600,000 from the GF without bond money. Mr. Wolfe noted that it is coming from the GIF.

Mr. Wolfe noted, for the Friendship Center (FC), at the end of the 3rd Quarter, there is a positive fund balance of \$226,037; however, by year-end it will be spent and more discussion will be held on this during the budget discussion. He noted that the Capital Fund had \$167,767 and the Operating Fund had \$216,946.

Mr. Wolfe noted that he would not focus on the Authority numbers tonight as a complete budget presentation will be discussed during the Authority meeting set for November 20th.

General Fund Budget

Mr. Wolfe noted he had a very short power point presentation for the Board members to review before discussing each individual department. He noted that the budget numbers showed

a surplus of \$613,554 due to the tax increase and reestablishing the fund balance. He noted that there are revenues of \$18,170,523 against expenditures of \$17,556,969 with \$40,000 budgeted for the GIF. He noted that \$995,955 was budgeted for State Aid with a GIF balance of \$2,182,700 of expenditures from revenues such as the PIB and Bond expenditures as well as Dauphin County grant for the Linglestown project. He noted that the GF balance at the beginning of the year was \$4,831,413. He noted that the FC revenues were \$2,109,950 against expenditures of \$2,139,073 producing a deficit of \$29,123. He explained that the deficit would be satisfied by the Capital fund. He noted that the FC Operating Fund was \$123,288 and the Capital Fund was \$167,686.

Mr. Wolfe noted that the year-end estimate is slightly on the positive side with a GF balance of \$112,000. He noted that it would include a transfer of \$151,180 to the GIF with a budget transfer of \$40,000. He noted that he would explain this further later in his presentation. He noted that he expects to end the year slightly in the positive. He noted for the State Aid he expects to end the year with a balance of \$267,299. He noted for the GIF, plus or minus \$200,000 will be spent, noting that it is uncertain where the number will be; however it will not impact the GF. He noted that he expects to spend the \$40,000 transferred from the GF plus \$110,080 for the Linglestown project as a final payment. He noted that it will be comprised of two items, the Dauphin County Bond fund which is about \$690,000 in escrow plus an additional \$110,000 to a final payment of \$790,000 for construction. He noted that should close everything out for the project.

Mr. Wolfe noted that he expects a GF balance at the end of the year of \$4,835,469.

Mr. Wolfe noted that the FC Operating Fund will end the year with a deficit of \$56,311 with Operating Funds of \$66,977 and Capital Funds of \$104,076.

Mr. Wolfe noted for the 2013 Budget the GF budget is not balanced showing a deficit of \$175,548 on a little over \$18 million in revenues and expenditures. He noted that staff can balance that number. He explained that it shows a transfer of \$104,502 to the GIF for ongoing capital needs. He noted that he plans to spend more in State Aid then what will be received but he will use the surplus funds from the 2012 budget. He noted that the GIF has total project costs at \$1,951,500. He noted that the GF balance at the beginning of the year is \$4,835,469. He explained that the FC Operating Fund has a deficit of \$270,323 due to capital needs that would

be offset by funds by the Operating and Capital Fund reserves of \$170,000 which leaves a deficit of \$100,000. He noted that the Friendship Center Operating Board is aware of that and is working on that issue.

Mr. Wolfe noted for the GIF, revenues are \$1,716,998 in General Obligation Bond proceeds, with grant funds from other sources of \$130,000 and a transfer from the GF of \$104,502 to provide for a total of \$1,951,500. Mr. Wolfe noted that all the bond funds would be spent by the end of 2013.

Mr. Wolfe noted that the expenses for the GIF are \$1,086,500 for stormwater improvements and \$400,000 to replace the municipal center roof. He explained, at the end of last year, repairs were needed to be made to the roof and he is only aware of one place that continues to leak and it is in the Administrative offices. He noted that the roof needs to be replaced but we are getting by. He noted that there was a HVAC improvement that was necessary and it was completed this year under the bid limit of \$18,000. He noted that \$100,000 is budgeted for a financial management system and Mr. Houck is working on the Request for Proposal and this should be brought to the Board shortly for its review. He noted that \$55,000 was budgeted for traffic signal and road improvements and Mr. Robbins will detail the need for a Public Works Radio System at a cost of \$115,000. He noted that the Jonestown Road Bridge Replacement and Wolfersberger/Koons Park projects are each budgeted at \$80,000 with matching funds paying for half the costs.

Mr. Wolfe noted that the Township spent about \$1 million this year and will spend another \$1 million in 2013 for stormwater improvements. He noted that the PIB loan of \$750,000 was spent as well as \$1.7 million in bond funds for stormwater. He noted by the end of 2013, the PIB loan and the bond funds would be exhausted. He requested Mr. Robbins to explain the listed projects.

Mr. Robbins explained that the two mini-basins that are listed are the two that Mr. Weaver is working on now, leaving about \$30,000 for work that would be part of those projects. He noted that a section of Dowhower Road, before you enter into the park, has a guiderail falling into the stream and is a unsafe situation; therefore he will need to remove the guiderail, move the stream away from the roadway and put a taper on the edge of the roadway so we will not have guiderail hanging all over it. He noted that Parkway East is very similar to Dowhower except

there is no guiderail involved as the stream is eating the roadway away. He explained that he needs to get it back to where it belongs so he can protect the integrity of the road. He noted that it is a similar issue for Goose Valley Road at two locations where the stream is eroding the edge of the roadway and stream bank stabilization work needs to be done. He explained that he had a ponding issue on Blue Ribbon Avenue that becomes an icy situation during the winter, and he needs to pipe the drainage down to Pine Street. He explained that Creek Drive issue was made by a citizen who the Board heard from last year in regards to the Earl Drive culvert, as it is grossly undersized and needs to be replaced. He noted that Earl Drive is a project that the Board is very familiar with and it will be discussed during a future meeting to determine what the Township wants to do with the Earl Drive culvert and possibly doing channel improvements as part of that project. He noted that he may be able to do some other things in lieu of the channel improvements, but he wants to get some feedback from the Board on the direction that it wants to go. He explained these projects total almost \$1.1 million, noting that we have extensive stormwater work to do. He noted that the area of BC-6 mini-basin, off of Devonshire Road, has extensive stormwater work that has to be done in subsequent years. He noted that he has \$200,000 in State Aid for televising and the cleaning of storm sewers.

Mr. Hawk questioned when the Earl Drive culvert work is done, what impact would it have on Earl Drive. Mr. Robbins noted that there would be disruption to the roadway until the culvert is put in place. Mr. Hawk questioned if the road would be closed. Mr. Robbins answered yes; however the contractor would be responsible for doing the detour.

Mr. Wolfe noted that this has been in the budget before, but it was not done. He noted that if the Board does not intent to do it, then this is the time to take it out. Mr. Crissman questioned Mr. Robbins where it should be on the priority list. Mr. Robbins answered when you look at the culvert, it is not at the risk of failing like a lot of the other culverts, as it is an arch pipe and it is very heavy pipe; however, the bottom of the pipe is gone and it would not be a catastrophic failure if we have a significant storm. He noted until we look at the channel issues upstream of the culvert, we are not going to fix the problem. He noted that you need to look at the pipe and the channel, fix the channel and save the pipe for later. He noted that he needs to get some direction from the Board on this. Mr. Hawk noted that doing channel improvements is like putting the heart in the correct place. Mr. Crissman agreed. Mr. Hawk suggested that is

where the significant problem is. Mr. Robins noted that there may be an issue with the public understanding that doing the channels may be an improvement as it would modify people's backyards within a floodplain which would have to be permitted. He noted that the public may not see that as what they want to do, although it would be his job to convince them that this is better way to spend money now to get the water to flow where it should. Mr. Hawk noted that upgrading the culvert alone would not solve the problem as you need to do both. He noted if you want to solve the problem then the property owners will have to be agreeable to some modifications of their property. He noted to him it seems to be a no brainer. Mr. Hawk noted that he would opt to keep it out of the budget at this point. Mr. Seeds suggested that it should be kept in the budget.

Mr. Hornung questioned if \$100,000 would cover the engineering costs to do this. Mr. Robbins suggested that it would be around that with permitting and design but it would have to go to the US Army Corps of Engineers. Mr. Hornung suggested that we put some money in the budget to start the process, maybe \$75,000 to \$100,000 to start the engineering. Mr. Hawk noted that he would not have a problem doing some legwork on this project. Mr. Wolfe noted that we did minor legwork years ago and all that work is null and void as there are different permitting requirements now. He noted that was a capacity analysis study of the pipe. He noted if you go through the process to get a NPDES permit, they only last so long. Mr. Hornung noted that he understands that. Mr. Hawk questioned if the people are willing to have their property modified in order to solve the problem. Mr. Robbins noted, he does not know. Mr. Wolfe questioned if the budget should include funding for engineering and design costs only. Mr. Hornung suggested that it would probably happen in the 3rd Quarter and by that time we would have a better idea of what our financial condition should be for construction industry or housing. He noted at that point we can make a decision to move forward or not. He noted if it looks like we could afford to build it in 2014, then we move forward, and if not, put it on hold.

Mr. Crissman noted, when he asked Mr. Robins if that was the highest priority, he answered that it was not and that is the only reason he was hesitant, especially if there are other areas in the Township that need the attention he would rather give it to a higher priority issue. He noted if it is in that category then he is willing to back off.

Mr. Seeds noted if we took the \$400,000 out of the budget for this project, would you replace it with other work. Mr. Robbins answered most definitely. Mr. Seeds questioned if those projects would be a higher priority than this particular project. Mr. Robbins answered probably; he noted that the culvert is not at the risk of failing, only having issues during a peak storm event, providing a back up in the channel.

Mr. Hornung noted, at one time, Mr. Robbins put a list of projects together, and questioned if they have been prioritized. Mr. Robbins answered no. Mr. Hornung suggested that he should look at that. Mr. Crissman noted that he would appreciate that. Mr. Blain agreed. Mr. Hawk noted that the upper channel improvements would significantly impact and solve the problem without having to go to the culvert problem. Mr. Robbins noted that they very well may. He noted that he does not have the answer to that as some engineering would have to be done. Mr. Hawk suggested that it would be better to do that before jumping to spend \$400,000 on a culvert project. Mr. Robbins explained that he would provide the Board with more information at the workshop session next week. He noted that he could come up with the additional projects and a firmer estimate for engineering and design costs. Mr. Crissman noted that he would like to see the priority list as well.

Mr. Seeds questioned if we are going to leave the \$1,086,000 in the GIF or would you put anything in for engineering for up stream improvements. Mr. Wolfe answered that he would add the funds for engineering and design. Mr. Seeds questioned what about the up stream bank improvements. Mr. Hornung noted that he would put in \$50,000 and leave it like it is, until we see the priority report to see what we have to do. He noted at this time, we will leave it as it is and when Mr. Robbins comes back with more information, we can talk about this number. Mr. Crissman noted when we have the priority list.

Mr. Wolfe noted for the other GIF projects, the Jonestown Road Bridge Replacement has local gaming funds associated with it and the Wolfersberger/Koons Planning project has DCNR grant funds associated with it. He noted that you are not familiar with the Public Works radio system and he would like Mr. Robbins to explain this.

Mr. Wolfe noted that he would have Mr. Robbins go first to explain his budget as it is his wedding anniversary and he would like to get him out of the meeting as soon as possible. He noted that the radio system is a new item to the GIF and he would like Mr. Robbins to explain it.

Mr. Robins noted that the new Public Works radio system would be a County-wide based system. He explained that he did research and narrowed the choices down to two options, one was the Dauphin County system, and the other was putting a new system on Blue Mountain. He noted that he would have to contract with Mr. Nally to install a new transmitter on the Mountain.

Mr. Robbins noted that staff decided the way to go was with the Dauphin County radio system. He noted that it is very expensive but he is dealing with an antiquated radio system. He noted when his staff is out during inclement weather, snow storms or hurricanes, it is very difficult to communicate. He explained that he worked the Emergency Operations Center during the last storm and Mr. Kline had a County radio with him and he was able to communicate with him. He noted that it was absolutely remarkable and you would have to hear it to understand it. He explained that Mr. Kline may be trying to speak to one person on the old system, and they can't hear him so someone tries to relay the message by way of a third party communication. He noted that it never works the way it is supposed to work in a storm as it is an outdated system. He noted when the wind is blowing and it is raining, and snowing it does not work as it only works on nice sunny days.

Mr. Wolfe explained, at this time, staff relays information from Dauphin County, Police, EMS, and Fire Companies to Public Works and this is not a good situation. He noted when Mr. Robbins had the Police radio, he was able to transmit directly with Mr. Kline, and he could in turn communicate with his Department personnel which is much better.

Mr. Robbins noted that it would involve purchasing a new base radio, with new radios for all the vehicles, in the amount of 42 radios. Mr. Crissman questioned if the radio system would interface with Fire, EMS and Police or if each system was totally separate. Chief Swank answered that the new system that Mr. Robbins wants to go with would allow all entities to be able to communicate with each other. Chief Payne noted that last year during the snow storm he had to call Dauphin County who in turn got a hold of Public Works, but it would be great if they could monitor what we are doing. He noted that Colonial Road became a sheet of ice. Mr. Crissman noted it would be good if the Public Works Department could communicate with the fire companies and it would help EMS as well. Mr. Robbins noted that he put it in his budget.

Mr. Wolfe noted that is what he has for the GIF and GF and State Aid Fund. He noted that he is proposing to keep the real estate tax at 1.3 mills, with .943 mills for the GF,.318 mills

for Fire Equipment, and .041 mills for the library service. He noted that no other changes are proposed.

Mr. Blain noted if the GF balance is off by more than \$170,000 how would you make up the difference. Mr. Wolfe answered that every year he does fine tuning to the budget and he noted that it is not a problem. He noted that it is less than 1% and normally we are around \$300,000 at this time in the process. Mr. Blain questioned if he knew where he was getting it from. Mr. Wolfe answered no, but he will tell the Board where the cuts were made.

Mr. Wolfe noted that this is not the last time for the Board to review the budget as he plans to do odds and ends at the workshop session next week and then more discussion could be had on the 17th of November as well as the meetings in December. He noted if you have no more questions for Mr. Robbins then we can talk to the fire fighters.

Discussion with Chief William Payne and Chief Tom Swank for 2013 budget

Public Safety Director (PSD) David Johnson introduced Chief William Payne and Chief Tom Swank along with Mr. Mike Kafka, the President of the Linglestown Fire Company, who were present to discuss additional funding for the fire companies for 2013.

Chief Swank noted that the chiefs were present last year at a workshop meeting for the same reason. He noted that the chiefs thought that they got what they asked for last year, this year. He noted that he found out today that there may be an additional expense for workers compensation to be paid by the Township. PSD Johnson answered that the additional costs for this will not be passed on to the fire fighters. He noted that the number that the fire chiefs were overpaid this year... Mr. Wolfe noted that he wanted to clarify something. He explained that there is an additional expense for workers compensation but it does not come out of the allocation to fire fighters. He noted that the Township pays workers compensation out of the GF and there is an additional \$36,000 for workers compensation that needs to be paid for the Fire Fighters Cancer Presumption Act as a result of the new State regulations. Chief Swank noted that he does not agree with it but it is what it is.

Chief Swank noted that the number that the fire company thought they had as additional revenue for this year would have been enough so he would not have to come back for awhile to seek extra revenues. Chief Payne noted that each fire company is different. Mr. Hawk

questioned if the overpayment was \$75,000. Chief Swank answered that it was \$70,000, noting that he would have been be happy with an extra \$50,000. He explained that he can't do fund raisers anymore.

Chief Swank noted that the last storm, Hurricane Sandy, lasted for a 38-hour period, and both fire companies had their stations staffed; he explained that Linglestown has 25 volunteers and he had from 20 to 25 volunteers, and they were there for 38 hours, not going to work or home to their families. He noted that he is here tonight and his kid is home sick. He explained that he can't keep making due with what they have, and he is doing the best he can. He explained that his fuel bill is \$17,000 for the three Township rigs that Colonial Park owns, and with the vehicle maintenance costs, he is asking for additional help. He noted that everything keeps going up.

Mr. Hawk noted that the Board has to cut \$175,000 from its budget, which Mr. Wolfe thinks he can do, but it brings him back to another \$150,000 in additional funds for the fire company. Mr. Swank noted that it will come to a point where we will have to let equipment sit or we may not have people to run it as he can't ask anymore from them. He noted that the volunteers are giving all they can give.

Mr. Blain noted if the Board gave the fire company an extra \$50,000, would it cover its needs. Chief Swank answered that it would eliminate fund raising. Mr. Blain questioned how much do you raise in a year. Chief Swank answered that he would continue with the mass mailings but he wouldn't have to sell Christmas trees, or do barbeques and sub sales. Mr. Blain noted that the extra \$50,000 would help better manage people's time to be more focused on the fire fighting. Chief Swank answered that his preliminary budget is \$203,210.72, so the money the fire company would get would help to make up with the difference. He noted that all he would have to do is worry about fire calls, training and public education.

Mr. Seeds questioned how much Colonial Park made on fund raising last year. Chief Swank answered \$73,000. Mr. Seeds questioned Chief Swank how much more you are asking for. Chief Swank answered that he would be happy with \$50,000, noting that is what he projected that the overpayment was, but it came out to be a little over \$70,000.

Mr. Crissman questioned if that would be the same case for Chief Payne. Chief Payne noted that his demographics are totally different from Colonial Park. He noted that he is in fine

shape with what he has now but his biggest problem is that the ladder truck had \$35,000 in bills with more to go from recent repairs and inspections. He noted that is just for the aerial inspection. He explained what scares him now is if he says that he doesn't need any money, and the engine goes in for service, and it was not budgeted, then he would not be fine. He noted that his fire company is doing many fundraisers, for instance, last weekend, they had a soup sale that started on Friday night and lasted all day Saturday. He noted that they were at the fire house for 48 hours for the hurricane and Sunday all day for the basket fund raiser. He noted that he is hustling for money and working for it. Mr. Kafka noted that it is hard to ask the volunteer fire fighters to give more, noting as president, he tried to keep the fund raisers down to one event per month. He noted that he tries to keep the volunteers at home with their families, only having to call them out when needed. He noted that is what he is striving to do, and we don't have a problem with making our fund raisers as our facility is much better than Colonial Park's is. He noted, at this time, we are in a good position financially and there is nothing we need to do at this time. He noted that would be other than the purchase of apparatus down the road but the unforeseen is the unknown. He noted if the fire company would have another failure with its ladder, it could be another \$35,000 in expenses. He noted that personally speaking, as a tax payer, it would be prudent to see a steady increase each year rather than a big shot every five or six years. Mr. Blain questioned if Mr. Kafka was speaking about raising the millage rates. Mr. Kafka noted that he was referring to the fire companies receiving a slight increase in its contribution from the Township, rather than a boom increase. He noted that Chief Swank stated that a \$50,000 increase in donation would be good for him now but in five years he might need more. He noted that he would rather see it happen in increments.

Chief Payne noted that he does not have a dollar amount so when he turns in his budget to the Township you would see that they are sitting on \$200,000 in the bank. He noted that is not going to happen. He noted that the fund raising events and storm events are very taxing to his volunteers. Mr. Kafka noted that his job is to get the fire fighters and make sure they have the money to put the fire fighters and equipment on the street. He noted that he does not want to take away from Chief Payne to get his job done. He noted that all the money that comes out of the old building goes to the new building. He noted that he wants the volunteers to be fresh and not in

the dog house with their families by working 36 hours straight in a weather event. He noted that he would not want to come back five years from now saying that we need more money.

Mr. Blain noted for the Colonial Park budget, if you get a grant to pay down the remainder of the debt on your building, how much would it relieve you of your payments. Chief Swank noted that it would go towards the debt reduction on the mortgage that is paid to the Township in the amount of \$50,000. He noted if we could get rid of that payment we would be sitting pretty good. Mr. Blain noted that it would free up \$50,000 in cash flow for the fire company. Chief Swank answered yes.

Mr. Blain questioned what long term debt Linglestown has. Chief Payne answered that Linglestown owes \$80,000 on a rescue unit. Mr. Blain questioned what the annual debt service is. Chief Payne answered that he thinks it might be \$1,100. He noted that they just did their mailer and it would take a chunk of that income to pay for that, however, he stated that was a debt that the fire company chose to take on, buying the unit with its own money. Mr. Blain noted that he was not questioning what you buy just trying to determine in his mind what is within your budget and if you had relief, how it would free up your cash flow. He noted that is why he asked Chief Swank if the gambling money would help to pay down the Township owned debt and free up his debt service for what he is paying to the Township.

Mr. Crissman noted in four years the rescue unit would be paid off.

Chief Swank noted that Colonial Park has a little over \$600,000 on the mortgage for a 20-year note. He noted that the interest is \$13,378 at a 4% rate with a mortgage of \$50,000 per year. He noted that the Fire Company gets another \$13,000 from the State that it applies for every year and then it is applied that towards the payment but the mortgage is \$51,639.01.

Chief Payne noted that during the Linglestown Road project all the fund raisers were stopped, but now we are in full swing and he has three or four people who have taken fund raisers to a whole new level. He explained that that thing that scares him is a catastrophic failure of equipment. Mr. Hawk questioned Chief Payne if he continues to do fund raising. Chief Payne answered yes. Chief Swank noted that they recently lost money on the 5-K Race and for the chicken barbeque; they broke even however they spent more man hours in doing the fund raiser for what they got in return. He noted with all the training that he asks his guys to do it is starting to become a strain on them and something must give and some volunteers might walk away.

Mr. Hawk noted that we need to take some time to see how Mr. Wolfe is going to make up the \$175,000 shortfall. Mr. Wolfe noted that there is a difference in tweaking \$175,000 and adding another \$150,000 on top of it. Mr. Seeds questioned what the fire tax rate is at this time. Mr. Wolfe answered that it is .318 producing \$63.60 a year on a home assessed at \$200,000. Mr. Seeds noted if we could find an extra \$150,000 each year and provide each company \$50,000; it would help them for this year but what about the following year. Mr. Blain noted that we must figure a way that it is a sustainable long-term commitment and that is why he was asking about the debt service. He noted if Chief Swank had his debt service amounting to \$50,000 a year taken away, then he would be okay, as that is long-term sustaining debt. He noted that you can't just give them \$50,000 this year and not give them anything next year. He noted that we must figure a way to make it work in our budget and in their budget. He noted if Chief Payne did not have the rescue payment it would provide relief for him. Mr. Wolfe noted that we also need to come up with the extra \$15,000 to cover the LOSAP. He noted that the Cancer Presumption Act will add an additional \$35,000 the GF as part of the .941 mills. He noted that the LOSAP comes out of the .318 mills noting that that contribution would have to be increased to \$76,000 for next year. He noted that all these items need to be taken into consideration. Mr. Crissman noted that it is something new to put into the mix. Mr. Kafka noted that is why he suggested that instead of \$50,000 payment for one year, it would be good to have a steady increase every year so it does not come as a shock to the Township taxpayers.

Mr. Hornung noted that the fire fighters do an incredible amount of volunteer work and the leadership the chiefs provide is great; knowing that he has to pay people to do what they are doing. He appreciates the amount of hours that they put in and their recruiting work. He explained that the Board wants to support the fire companies, but he questioned, without looking at each budget, it makes it difficult to determine if they are spending money wisely. He noted that is the key and if they are he would rather have the volunteers fighting fire than doing fund raising in order to be home with their families. He noted that he has a fiduciary responsibility with the Township to know that the fire companies are spending the money wisely. He noted that he needs to determine that before making a decision, once he has made that decision; noting that there may be times when you want to purchase a new chief's vehicle, noting that he may think it is unwise but you may think that if we don't get something to give people incentives to

do this it is counterproductive. He noted that as part of leadership you need to have some fun stuff as part of fire fighting. He noted that he needs to have someone provide more information to him to make him feel more comfortable in providing additional funding.

Mr. Hornung noted that there is \$250,000 set aside every year for LOSAP and future capital expenditures. He noted while the Township is in this crunch, possibly, for next five years we could take some of that money and put it in different areas. He noted that the three fire companies need to come back to make a recommendation noting that there would be additional maintenance costs to extend vehicle life or whatever, but we need to take a look at that to see what we could reallocate those funds for. He noted that maybe we may need to raise the fire protection tax to accommodate something. He noted that the Township has four minor decisions that impact the major decision as to how to get through this.

Chief Swank noted that if you look at his budget you will find there is no fun stuff in it. He noted that it is cut as much as it can be cut. He noted that the fire companies are doing what they can do, noting that his public education budget for next year will be cut. He explained that he will continue with the education programs but will not hand out free stuff because he questioned how much of that stuff makes it home. He suggested that there are not many wants in his budget. Mr. Hornung noted that he does not know that without the chiefs showing him that. He explained that he suspects that is the answer that he will get but he doesn't know that. He noted that he needs to see what the fire companies are spending their money on and then sit down and have a conversation about the \$250,000. He noted that it may only be a short-term use until the revenues increase. He noted if the housing market returns in four or five years, and things start looking better for the Township, then we can start looking at stuff like that or we may have to do something different.

Mr. Hawk noted that Mr. Hornung laid it out realistically, and anything that impacts the budget, you either have to increase taxes or cut services. He noted that the fire fighters do an amazing job but his problem is how to balance everything so that we all come out okay.

Chief Payne noted for the \$250,000 for the Capital Plan, it scares him if you take from that fund. Mr. Wolfe noted that it is not \$250,000, it is \$200,000. Chief Payne noted if we dip into the capital plan, when it comes time to purchase fire trucks the way the prices are going up, we might fall behind, and in five years we won't have the \$2 million we will need. Mr. Seeds

noted that he would not want to cut into that fund. Mr. Hornung noted as soon as he hears the word fear, it sends a red flag. He explained that he likes the budget to be based, not on fear, but on what happens. He noted if you tell me that in 2015, we have to replace this piece of equipment, that is not fear, that is an actual number, and he would buy into that. He noted that it would be shortsighted at that point to take money from that account without putting it back in. He noted if you come to me in five years and tell me that a piece of equipment is shot and it would cost three quarters of the price to rehab it as compared to replacing it with a new one then we might borrow money to put into it. He explained that these are the answers that he wanted the fire chiefs to come back to him with, when items will need to be replaced using their best estimates. He noted if at that point in time we need to look at how to space the funds out, and we don't have enough funds, then we will have to raise taxes. He noted that is the last resort and he is not adverse to that. He explained that he is more adverse to raising taxes for the Township as opposed to the fire companies. He noted that donations are down and it is a struggle because people are tighter with their funds, but they don't have a problem when their basement is full of water and they need to call someone for help and expect them to show up. He noted that everyone thinks that the services are free and they are not free and it takes a lot of man-hours on the part of the fire fighters, so he is not adverse to raising taxes for fire fighters. He noted if that is the last source of income then we go with it. He noted that you will get what you need; however, we need to get through some short term economic hard times. He noted that he had fire fighters from other Townships come up to him and inform him that they wished their Board would provide the support that Lower Paxton Township does for its fire fighters. He noted that he does not see that changing.

Mr. Kafka noted that the Board does a good job taking care of the fire and EMS services. He explained that the Board is second to none in Dauphin County. He noted that his fire company put a moratorium on any spending at the last meeting unless there is something that must be purchased until it determines where the 2013 budget will be. He noted that we do a lot of fund raisers and we will cut back on such things as the teddy bear run and other things. He noted that it would be helpful to get more funds to help pay for the \$35,000 repair bill. He noted that the support that the Board provides makes his job easier. He noted with this past week between the fundraisers and hurricane work, it has stressed out his volunteers.

Chief Payne noted that he is uncomfortable talking money when there is one fire chief that is doing well. He noted that sometimes he looks at his fire house and wonders what he is doing wrong. He noted that Chief Fife doesn't feel the need for the extra funds.

Mr. Hawk noted that he thinks of the fire fighters as family and we all need to work together and be honest with each other. Mr. Hornung noted that it is good to question why other companies are doing better and you are not and the fact that you scrutinize your decisions says a lot about your creditability and he appreciates that. Mr. Crissman noted that he appreciates what the two fire chiefs are doing and he would like to see all three chiefs' work together in as a unified team.

Mr. Kraska noted if you need numbers, let us know. Mr. Swank noted that he presented his budget to the fire company this past Thursday, and it will be voted on during the next meeting. He noted that he would present it to PSD Johnson once it is approved. Mr. Hornung noted that he is not adverse to giving different amounts to the fire companies based upon their needs. He noted that he may only provide extra funds to say Colonial Park this year as they have the need. Mr. Swank noted that his primarily goal is debt reduction and he is not spending money for anything unless it is needed and can be justified.

Police Department

Mr. Wolfe noted that we have not discussed the Police and Parks and Recreation budgets in huge detail and then there is the FC. He noted that the numbers for both the Police and Parks and Recreation Departments are significantly different from the numbers the Board saw in the first draft presented in July and he questioned if there were any items to highlight for the Board. PSD Johnson noted that his numbers have remained the same except for the records management system which is a difference of \$16,000. He noted that the Department is in the second year of its leasing program for Public Works and Police Departments; noting that it reduced costs 33% and in 2013 there will be a 16% decrease in costs; however in 2014 it will be up to the full amount plus the financing costs.

Mr. Seeds noted that there was a \$5,000 error in the line item for School Resource Officer (SRO) as the numbers did not add up.

Mr. Seeds questioned about the cost for insurance for the Juvenile Alternative Sentencing Program (JASP) Program. PSD Johnson explained that he was notified that the insurance carrier

will no longer insure people who are ordered by the court into a community service program. He noted that insurance was for coverage in the event something happened to a kid while performing community service work. Mr. Seeds questioned if it was separate from the Township insurance policy. Mr. Wolfe answered yes and without insurance coverage we cannot run the program. Mr. Seeds questioned if this is the first year we had that insurance. PSD Johnson answered that we have had it every year since we started the program. He noted that he was just notified that we lost the insurance coverage which was budgeted at \$500. He noted that he called a few insurance companies and they all agreed that it was a new insurance standard. He noted that Ms. Knoll is looking to see if the Township policy would cover this.

Mr. Hornung questioned how important is the JASP Program. PSD Johnson answered that there are pros and cons to it. He noted that there is an issue with the Police Department and finding the manpower to cover it. He explained, at one time we paid overtime for the program but he stopped it as it was getting way too expensive. He noted that officers were sitting around for four hours watching the kids do the work. He noted that the kids do their hours, move on and forget about it, and the officers are essentially acting like probation officers. Mr. Luetchford noted when they were working around the FC it was a benefit as he didn't have to pay people to do that work. Mr. Seeds noted that it was a good program. PSD Johnson noted that while it is no cost to Mr. Luetchford, there is the overtime cost to the Police Department. Mr. Luetchford noted that three or four kids would work four hours but they don't work very fast, and it saved a few thousands dollars. Mr. Hornung noted that it might be better to put those funds in Mr. Luetchford's budget to get the work done. PSD Johnson noted that he has had discussions with other agencies such as Probation and District Attorney's Office and they asked him why the Police Department was doing probation work as it is was costing the Township money and the Police's responsibility is to prevent crime. Mr. Wolfe noted that the reason the Department got into this was that there were grant funds to do it. He noted when the funding dried up the Board agreed that it was a commendable program to continue and they continued to fund it as long as it is viable. He noted that it is getting to the point where it is no longer viable.

PSD Johnson noted that the goal was to improve the Police's relationship with kids which is fine but you don't build relationships by bringing kids in on a couple of Saturday's telling them to get to work, you don't interact with them, and you only sit there and watch them

work. Mr. Hornung questioned PSD Johnson if he has made a decision to abandon the program. PSD Johnson answered that it is a possibility even though one Magisterial Judge will be against it and the other understands the issue. He noted that the manpower issue is great especially if an officer does not want to do it.

LOSAP

Mr. Wolfe noted that we will need to put an additional \$15,000 in the LOSAP to fund it. He noted in the past \$50,000 came from the Fire Equipment Capital Fund and \$10,000 came from the General Fund. He noted that additional funding will have to come from the General Fund to make up the difference for what is actually needed to fund it once the payments are made in 2013.

Employee Salaries

Mr. Wolfe noted that the annual union raises for 2013 are 2.2% for the Police Department, 3% for the Public Works and the Sewer Authority and Clerks and Custodians are frozen for 2013 as per the contract agreements.

Friendship Center

Mr. Blain noted that we need to discuss the situation with the Friendship Center as we have major capital issues.

Mr. Luetchford noted that the only significant change for revenues is for the swim team rental which shows an income of up to \$25,000 to \$30,000. He noted that \$40,000 is expected for 2012 and \$45,000 is budgeted for 2013 as the FCOB negotiated with Lower Paxton Aquatic Club (LPAC) to get a significant rise in the rental rates. He noted that he expects to complete the Department of Conservation and Natural Resources Efficiency grant in 2012 for emergency improvements.

Mr. Luetchford noted that the expenses should remain roughly the same as there are no significant changes from last year. He noted that programming remains relatively high as he expects it to rise slowing over the years. He noted that there is a significant interest and demand for programming since it is a short term commitment as compared to people having a hard time committing to an annual membership. He noted that annual memberships are going down, as it is discretionary funding for many people. He noted that the short-term memberships have increased slightly, but not enough to offset the annual loss. He noted that he projects a 4%

growth for memberships. He explained that many fitness centers are reducing rates with a few staying the same trying to hold on to what members they have. He noted that it is easier to retain a member than to try to get new members.

Mr. Hornung questioned what the membership number is now. Mr. Luetchford answered that it is roughly 1,400 but it was 2,400 at one time. Mr. Hornung questioned what the cost is for a family membership. Mr. Luetchford answered that it is \$722 for a Township resident. He noted that he is trying to do what he can to retain memberships.

Mr. Luetchford explained that there are various costs for running the building, and a change was made in the budget to split the costs, one for repairs and maintenance for \$77,000 for pool equipment and maintenance and on the next page is the building maintenance. He noted the total revenues are \$2,027,040.00 with expenditures of \$2,297,362.00 producing a \$270,000 deficit for the 2013 budget. He noted that \$160,000 of that deficit is coming from the Capital Improvement Plan.

Mr. Luetchford noted that the board adopted a Capital Replacement Plan about a year ago and we need to implement it. He noted that equipment is 12 to 13 years old and it needs to be replaced or it will start to fail. He explained that there are issues with trying to maintain the pool temperatures, and the pool HVAC units. He noted that you can't replace the current system and the keyboard is very difficult to work anymore. He explained that he needs to determine how to replace what we already have.

Mr. Blain questioned if there is \$160,000 of Capital Improvement items that are running through the budget at this time. Mr. Luetchford noted that the expenses can be found page 6 under equipment replacement.

Mr. Blain noted that you have equipment replacement but he questioned if there are other facility type replacement issues that Mr. Luetchford has gone through; for instance, if he was looking at the budget, the revenues are \$2,027,000 but how much of the expense number of \$2,297,362.50, is just for running the facility, taking away any types of capital equipment or improvements. Mr. Luetchford noted that \$160,000 is budgeted for replacing what needs to be replaced. Mr. Blain noted that we have a Capital Fund and you would be pulling money to pay for facility improvements and not for equipment. Mr. Wolfe explained for the Capital Fund, we provided a detailed list of capital items and the life cycle for each item. He noted that staff came

up with an annual spend of about \$170,000 which seems reasonable but we also need to raise the \$170,000 for annual expenses and we have not been able to do that. He noted that the Capital Replacement Plan to replace the HVAC and equipment over the course of the useful life is what is impacting the facility. Mr. Blain noted that the depreciation expense is \$166,000 per year and that would include any new equipment that is needed to be replaced. He noted that you would be operating at a deficit from an operations perspective of \$110,000. He questioned, if he was to look over the last couple of years, what the breakdown would be. He questioned if he could look at the table to determine that.

Mr. Wolfe noted that there is some light at the end of the tunnel noting if you look at the debt service, it extends another eight years and would free up \$300,000 in revenue that would not have to go to satisfy debt. He noted that there will be some impact on the General Fund and maybe also for the FC when the Board does the 2006 bond refunding next year. He noted that he can't tell what the breakdown is from that issue as it went many places.

Mr. Blain noted for 2013, equipment replacement is listed as \$215,740. He questioned if that is what would be spent in cash, with the expense being the depreciation cost for five years. Mr. Luetchford answered that some of those items are leases, which will be paid over three or four years. Mr. Blain questioned if that is why the depreciation costs go to zero. He noted that it was running about \$250,000 a year but now it is at zero. Mr. Houck noted that it was changed to whatever the actual depreciation is at the end of year. He noted that you have to do a book depreciation there. Mr. Wolfe explained that we booked that from the audit. Mr. Blain questioned if the 2012's number are in your 2013 request is literally cash flow. Mr. Wolfe answered yes. Mr. Blain questioned if there are any accruals for depreciation. Mr. Wolfe answered yes; however, \$160,000 is for capital.

Mr. Blain noted that we will have a 2013 request that has a \$270,000 loss and we don't have the depreciation booked; but from an income perspective it would be \$250,000. Mr. Wolfe answered yes. Mr. Blain noted what the fire companies are asking for is nothing compared to this. He noted that the \$270,000 is a cash flow issue. Mr. Houck noted that depreciation has never been booked for this and it should be as it is a year-end cost.

Mr. Hornung noted that the idea was to put an additional \$170,000 on an annual basis as a make up for the depreciation but there was no income to fund it. He noted that his major

concern is should we take a look at spreading the \$270,000 payment of the funding of the bonds for another ten or fifteen years so instead of it being \$290,000 it may go down to \$190,000. He noted that it is up \$90,000 more than it was last year for the payment on the loans, spreading the payments out over a longer period of time, going with the assumption that the FC will still be around. He noted when memberships continue to decline, he has a problem with it as it may not be viable. Mr. Blain noted if you look at the net, starting in 2009, it was negative \$33,998.61 but if you added the depreciation expense back in, you would be cash flow positive by \$200,000. He noted if you add it again in 2010, you would be positive by \$190,000; and for 2012 you would be positive by \$200,000. He noted in 2012 it went crazy... Mr. Crissman noted one item is the increase in bond issues from 2012 to 2013. Mr. Blain questioned why that was as Mr. Crissman has always been adamant on level debt service. Mr. Wolfe noted that there was a refunding in 2011 that would have lowered the debt and we took the money up front. Mr. Blain noted that you got a one year benefit.

Mr. Blain noted that he would like to see a simple analysis showing what the true operational cost is, taking out all one-time charges, such as receiving the positive arbitrage from refinancing debt. He noted that he wants to know what the true revenues are and the true operating expenses for the business. He noted then he could get a better understanding of what is going on to make a better assessment for what to do. Mr. Wolfe noted that he will have that for the next time the Board meets.

Mr. Hornung questioned if the rates are too high. Mr. Wolfe answered, if you look at the chart, the membership shows a running seven years, and they have not changed significantly as far as totals. He noted you don't have as many people going for the annual membership as they did in the past. He noted the blue line for annual membership shows that people are not willing to commit to a year anymore, and it started about four or five years ago. He noted that the other function is that annual membership for seniors have been affected by insurance programs. He noted that many seniors get free FC membership that is paid by the insurance program, however, those programs do not pay as much as what a senior membership would pay. Mr. Luetchford noted that a senior would pay \$25 a month, whereas the insurance plans would pay between \$7 and \$10 per month. He noted that the numbers have not changed much, but it is how the people

are paying for those memberships. Mr. Luetchford noted that the insurance companies pay per visit, they don't pay the monthly membership, averaging three or four dollars per month.

Mr. Hornung questioned why there was a dip in the annual and monthly membership. He questioned if it is in part in due to the membership use. He questioned what percent amounts to the change, starting the decline around the time the recession started but it started to level out and then it took another dip. He questioned if it was caused by the change in the senior memberships. Mr. Wolfe answered that the large peak in the middle of 2011 is when the senior programs started to change for how they were paid. Mr. Luetchford noted that it may have to do with the some promotional items as well. Mr. Wolfe noted, throughout the course of the recession, from 2009 through 2011, we had steady increasing numbers and since mid last year it was like the recession caught up for recreation and it has been laagering since then.

Mr. Hornung noted that some parts of the industry are almost giving memberships away, and he questioned if they have discovered they need to do that to get more memberships. He noted for other clubs, they are dying out and it is their last attempt to try to recover. He noted that he does not know if they know something we don't. He explained that he told his wife to give up her membership if she wasn't using it. He noted that Gold's Gym gets \$19 a month, and if no one shows up, that is \$19 that they didn't have before. He questioned if the FC should be playing the same game. Mr. Luetchford noted that staff has been looking into a variety of items. He noted that Mr. Ballard did an audit and suggested that the FC add a premium membership that included certain core classes for free to encourage membership. He noted that there is thought to take an area of the building that is not making money and converting it to something else. He noted that the social hall could be converted into an aerobics studio as that makes money and the social hall make little money, however it costs money to do that. He questioned if it worth spending \$40,000 to \$50,000 to convert a room and lose \$150,000 in premium membership for the first year and then make it back over the period of time. He noted that according to the Ballard Audit Report we have to do this as everyone else is doing it or we won't be competitive. He noted that we have to be serious in making changes that may or may not be a hit.

Mr. Hornung noted when times are tough that is when you take the money and spend it. He noted when the recession is done, then you are prime to make it grow, whereas most businesses back off and try to hold on. He noted that Mr. Blain is correct as you have to advertise

and be aggressive in the tough times so when the market comes back you are in position to take advantage of it. Mr. Wolfe noted, at staff level, we will need significant help with that concept as that is not how municipal employees think. He noted when times get tough you retrench until it blows over. Mr. Hornung noted that is true for the municipalities but not true for business. Mr. Luetchford noted that we need to get over this funk.

Mr. Hornung noted that the tough things are what make you successful. He noted that tough decisions make you stronger although there is always a risk.

Mr. Wolfe noted that Mr. Luetchford has an additional presentation to add to this but we don't have time for it now. He noted that the Board wants to see true operational costs and operational revenues and he will have that ready the next time the Board discusses the budget. Mr. Blain noted that he would like to see that analysis for 2009, 2010 and 2011, 2012 and the budget.

Mr. Seeds noted that the costs for future projects are \$1,520,000 but the grand total is \$2.9 million. He questioned what that is all about. Mr. Luetchford answered that it is the grant sum for all projects, noting that we completed \$1.4 million but still need to do over \$1.5 million in projects.

Adjournment

There being no further business, Mr. Crissman made a motion to adjourn the meeting. Mr. Blain seconded the motion, and the meeting adjourned at 7:26 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary